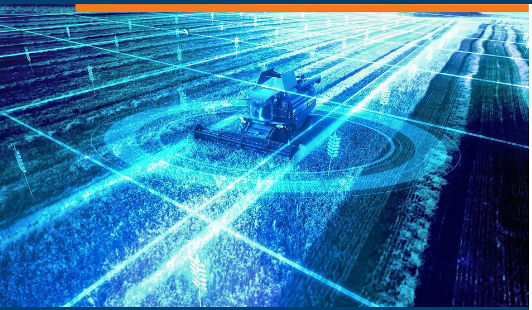
Polar Capital Funds plc
Artificial Intelligence Fund



GBP Class I Acc | ISIN: IE00BF0GL543

NAV per Share

GBP Class I Acc	£23.89

Fund Details

Fund Size	£1,090.9 m
Base Currency	USD
Denominations	USD/GBP/EUR
Fund Structure	UCITS
Domicile	Ireland
Launch Date	06 October 2017
Investment Manager	Polar Capital LLP
SFDR Classification[1]	Article 8

Fund Managers

Xuesong Zhao
Partner
Xuesong has worked on the fund since launch, he joined Polar Capital in 2012 and has 19 years of industry experience.

Ben Rogoff
Partner
Ben has worked on the fund since launch, he joined Polar Capital in 2003 and has 30 years of industry experience.

Nick Evans
Partner
Nick has worked on the fund since launch, he joined Polar Capital in 2007 and has 28 years of industry experience.

Fund Profile

Investment Objective

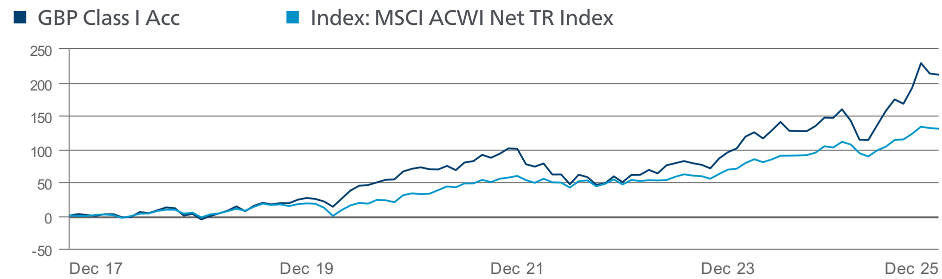
The Fund's investment objective is to achieve long term capital appreciation by primarily investing in a diversified portfolio of global equity securities which may be listed or traded on a Regulated Market.

Key Facts

- Team of 11 sector specialists
- The team has 150+ years of combined industry experience
- Typically 50-80 positions
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection

Share Class Performance

Performance Since Launch (%)



	1m	3m	YTD	1yr	3yrs	5yrs	Since Launch Cum.	Since Launch Ann.
GBP Class I Acc	-0.54	6.70	26.34	26.34	107.56	83.07	211.47	14.78
Index	-0.44	3.38	13.94	13.94	57.10	72.83	130.32	10.65

Discrete Annual Performance (%)

12 months to	31.12.25	31.12.24	29.12.23	30.12.22	30.12.21
GBP Class I Acc	26.34	26.40	29.97	-25.02	17.62
Index	13.94	19.64	15.24	-8.07	19.67

Calendar Year Performance (%)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
GBP Class I Acc	26.34	26.40	29.97	-25.02	17.62	34.67	34.21	-5.50	-	-
Index	13.94	19.64	15.24	-8.07	19.67	12.72	21.70	-3.81	-	-

Performance relates to past returns and is not a reliable indicator of future returns.
Performance for the GBP Class I. The class launched on 6 October 2017. Performance data is shown in GBP. Source: Northern Trust International Fund Administration Services (Ireland) Ltd. Benchmark performance shown in GBP. Source: Bloomberg.
If this is not your local currency, exchange rate fluctuations may cause performance to increase or decrease when converted into your local currency.
Performance data takes account of fees paid by the Fund but does not take account of any commissions or costs you may pay to third parties when subscribing for or redeeming shares or any taxes or securities account charges that you may pay on your investment in the Fund. Such charges will reduce the performance of your investment. A 5% subscription fee can be charged at the Investment Managers discretion.
1. Refers to the EU Sustainable Finance Disclosure Regulation

Fund Ratings

Ratings are not a recommendation.

Portfolio Exposure

As at 31 December 2025

Top 10 Positions (%)

NVIDIA	5.4
LAM Research	2.9
Siemens Energy AG	2.8
Walmart	2.8
Caterpillar	2.7
Samsung Electronics	2.7
Corning	2.6
Alphabet	2.5
Amazon	2.4
Micron Technology	2.2
Total	**29.0**

Total Number of Positions **70**

Active Share **80.72%**

Geographic Exposure (%)

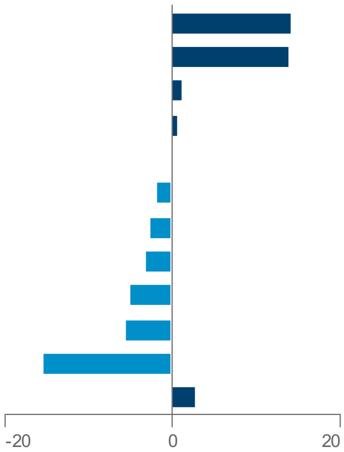
US & Canada	64.0
Japan	11.5
Europe	11.4
Asia Pac (ex-Japan)	10.2
Cash	2.9

Market Capitalisation Exposure (%)

Mega Cap (>US$50 bn)	58.8
Large Cap (US$10 bn - 50 bn)	30.7
Mid Cap (US$1 bn - 10 bn)	7.0
Small Cap (<US$1 bn)	0.7
Cash	2.9

Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund	Relative
Information Technology	41.7	14.5
Industrials	24.7	14.1
Materials	4.9	1.2
Real Estate	2.6	0.9
Consumer Staples	5.1	0.0
Energy	1.7	-1.7
Utilities	0.0	-2.6
Communication Services	5.8	-3.1
Consumer Discretionary	5.1	-5.1
Health Care	3.5	-5.5
Financials	2.1	-15.6
Cash	2.9	2.9



The column headed "Fund" refers to the percentage of the Fund's assets invested in each sector. The column headed "Relative" refers to the extent to which the Fund is overweight or underweight in each sector compared (relative) to the index.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Share Class Information

Share Class	Bloomberg	ISIN	SEDOL	Minimum Investment	OCF†	Ann. Fee	Perf. Fee††
EUR I Acc	PLAIIEA ID	IE00BF0GL436	BF0GL43	-	0.89%	0.80%	N/A
GBP I Acc	PLAIIGA ID	IE00BF0GL543	BF0GL54	-	0.89%	0.80%	N/A
USD I Acc	PLAIIUA ID	IE00BF0GL329	BF0GL32	-	0.89%	0.80%	N/A
EUR R Acc	PLAIREA ID	IE00BF0GL212	BF0GL21	-	1.39%	1.30%	10%
USD R Acc	PLAIRUA ID	IE00BF0GL105	BF0GL10	-	1.39%	1.30%	10%

†**Ongoing Charges Figure (OCF)** is the latest available, as per the date of this factsheet. The Ongoing Charges Figure is based upon the expenses incurred by the Fund for the previous 12 month period. The OCF incorporates the Annual Fee charged by the Fund.

††**Performance Fee** 10% of outperformance of MSCI ACWI Net TR Index.

Fund Managers' Comments

Market review

Global equity markets continued their advance in December, the MSCI All Country World Net Total Return Index gaining +1%. US equities continued to set new highs, with the S&P 500 up a modest +0.1%, just managing to extend its positive streak to eight months to close out the year. European markets were strong with the DJ Euro Stoxx 600 up +4% (all returns are stated in US dollar terms).

During the year, the MSCI All Country World Net Total Return Index gained +22.3%, the S&P 500 Index +17.9% while the DJ Euro Stoxx 600 Index significantly outperformed, up +36.8%. The trade-weighted US dollar fell -9.4%, its worst year since 2017, weakening against every other G10 currency as the Fed pivoted from 'higher for longer' narrative towards delivering multiple interest rate cuts in H2. Meanwhile, gold returned +65%, its best year since 1979, in part due to dollar weakness itself, but also fears over government spending (leading to safe haven trades or 'debasement').

2025 was defined by solid global growth, central bank rate cuts and growing optimism over the potential tailwinds from AI and more obviously upside to AI capex which materially contributed to US economic growth. The market's upward trajectory was punctuated by volatility around DeepSeek in late January and the early April Liberation Day tariff uncertainty, followed by a strong relief rally as reciprocal tariffs were paused.

Market conditions stabilised mid-year as Middle East tensions eased, inflation moderated and labour markets cooled, prompting the Federal Reserve to resume rate cuts. The late summer and autumn were marked by fluctuating rate expectations, a prolonged US government shutdown, pockets of credit stress and renewed tariff threats. Momentum stalled a little in Q4 although equities held up, supported by resilient earnings, easing inflation, supportive monetary policy and continued strength in AI-related capital expenditure. Encouragingly, most of the S&P 500 returns were driven by EPS growth, while the forward P/E multiple – although high versus history – ended the year at 22x, only marginally above where it began (21.5x).

Economic data released in December suggested a continued, orderly cooling in the US labour market, further easing inflationary pressure. Non-farm payrolls rose by 64,000 in November, exceeding expectations for a 50,000 increase and rebounding from a revised 105,000 decline in October. Meanwhile, headline CPI rose +2.7% year-on-year (y/y) in December, below expectations of +3.1% and the lowest level since July. While energy prices rose sharply over the period, increases elsewhere were more moderate and core inflation declined to +2.6%, its lowest level since March 2021 and well below forecasts.

A more benign inflation backdrop reinforced the case for easier monetary policy. The Federal Reserve delivered a further 25bp rate cut in December, lowering the federal funds target range to 3.50-3.75% and taking borrowing costs to their lowest level since 2022. The decision was not unanimous, however, highlighting ongoing debate within the Committee. Policymakers revised their GDP growth forecasts modestly higher for both 2025 and 2026 and lowered expected PCE inflation but left their longer-term rate projections unchanged, signalling just one further 25bp cut in 2026.

Looking ahead, political and policy uncertainty remain elevated. President Trump indicated he will announce his nominee for the next Fed Chair in January, raising potential questions over the future independence of monetary policy. In parallel, the Supreme Court is expected to rule on the constitutionality of Trump's tariff regime, although the administration has indicated contingency plans to reimpose tariffs should their current approach be struck down.

Our base case remains that despite macro challenges and political gyrations, the US economy will not be sufficiently weak to derail the AI story. The broad economic expansion should continue as "the consumer is resilient, spending is strong and delinquency rates are actually coming in below expectations" (JP Morgan Q3 2025 earnings call). The US economy should also be supported by a positive fiscal impulse from the One Big Beautiful Bill Act (OBBBA) and the potential for further policy support as the US midterm elections approach in November. A reduced drag from tariffs, further deregulatory initiatives and tax cuts/rebate cheques should also help. However, the K-shaped economy reflects strong wealth effects and consumer spending for upper income groups while less affluent groups, and the companies that serve them, may fare less well.

Disinflationary growth tailwinds from AI are also building. Productivity growth has ticked up post-Covid, running at c2% per year up from c1.5% (and reaching 4.9% in 3Q25). If the proliferation of AI across the economy begins to take hold, potential real GDP should be lifted well above prior assumptions and could allow growth above 2.5% without triggering inflation. Yale economists have derived scaling laws for economic productivity which suggest that each year of AI model progress reduces task time by 8%, which implies continued model scaling could boost US productivity by 20% over the next decade.

Fund performance

The Fund (USD I Acc Share Class) increased 1.0% during the month, compared to its global equity benchmark the MSCI All Country World Net Total Return Index which also increased 1.0%, (both figures in dollar terms).

Micron Technology performed very well during the month after reporting exceptional quarterly results, continuing recent strength in the memory complex. Revenue, margins and profits beat expectations on stronger pricing dynamics, while forward quarterly revenue guidance of $18.7bn, representing growth of +133% y/y, was significantly ahead of investor expectations. Supply remains extremely constrained in both commodity and specialty memory, driving further pricing and margin support, while high bandwidth memory (HBM) is fully contracted for 2026. Samsung Electronics also performed well given the company's higher exposure to commodity memory, as well as the hope that its HBM4 offering may pass NVIDIA qualification.

Ciena also reported good results, with order acceleration and another raise in year-ahead guidance to +24%, from +17% last quarter. Two more hyperscale partnerships were signed for scale-across networking, i.e. connecting data centres over significant distances, while its first hyperscale partnership was expanded to more locations; given the size and scale of these projects, this is providing Ciena with revenue visibility many years ahead.

Vertiv Holdings underperformed with some of areas of continued softness in NVIDIA supply chain names as a result of the success of Google's TPU-based approach that we wrote about last month, and any challenge that may pose to a GPU-based dominant architecture.

Credo Technology Group Holding (Credo) reported excellent results as well as a very large forward revenue guidance beat driven by existing and new customers ramping. However, it subsequently underperformed amid news that OpenAI is investigating Amazon's Trainium chip as part of Amazon's mooted $10bn investment in OpenAI. Credo's connectivity solutions might feature at a lower density in a Trainium architecture given the potentially higher proportion of optical technologies

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expected to be deployed in Trainium. Celestica also underperformed on this news, on concerns that OpenAI investment into or adoption of Trainium architecture may in turn lead to smaller volumes for OpenAI's own ASIC chip, a key future driver for Celestica.

Fund activity

During the month we initiated new positions in, Sandisk among others. The positions we exited included Spotify Technology and AT&T. Cash at month end stood at 2.9%.

Market outlook

We remain constructively positioned into the new year as AI data remains robust and growth remains extraordinary – OpenAI reached $10bn ARR less than three years after the launch of ChatGPT, and Anthropic is on course to do the same in four years. We expect 2026 to bring further significant progress in the underlying technologies, growing social and economic benefit with rising enterprise adoption and a continuation of the rapid pace of growth for AI native applications. Adoption expands as companies clear educational, governance and change management hurdles; per a recent UBS cross-sector CIO survey, 17% of organisations reported using AI "in production at scale", up from 14% in March 2025. However, we expect adoption and scaled implementation to remain heavily uneven, with a small number of companies positioned to deliver the corresponding benefits from AI use, while many more will lag and face disruptive threats. Per 22V Research, only 14% of small-cap companies reference AI usage, compared with 44% of mega-cap companies, suggesting AI is far from broadly diffused, but is rather a scale-dependent investment.

We have long spoken of our expectation that technology-like dynamics will spread to non-tech sectors and this extends to last-generation winners being poor conduits for an AI-driven environment. Prior winners including Mag7, software stocks and numerous previously perceived 'high quality' capital-light companies across information services, online marketplaces and others are now struggling amid AI threats, and we expect a growing part of the market to face challenges as models become more performant and unveil new capabilities.

2025 brought us deep research agents, coding agents, search functionality and image-editing language models, tools that are rapidly becoming daily use for many. We expect to see new form factors that similarly become essential tools in the year ahead. The first generation of models trained on NVIDIA's Blackwell architecture should arrive in the first half of the year and are expected to deliver better performance, new capabilities and significantly lower cost per token. Alphabet's Gemini 3 model success gives confidence that pre-training scaling laws remain intact and that larger coherent clusters of compute will bring more performant models. We remain hopeful that AI capabilities will outperform expectations which should embolden leading AI labs to invest (even more) aggressively in the next generation of models and put upward pressure on AI capex.

We also expect innovations in the underlying technologies and are paying close attention to developments that may challenge existing thinking. In January 2025, DeepSeek brought innovations that triggered a (quickly recovered) market selloff but ultimately progressed AI performance and cost of use dynamics. New advancements should be expected in the year ahead. Notably, DeepSeek itself has recently suggested tweaks to transformer model architectures to improve training efficiency on constrained compute systems. Indeed, it would perhaps be more abnormal if we did not see efforts to expand on and beyond current transformer model approaches.

We believe the demand for AI infrastructure can continue in strength through the new year, underpinned by growing AI adoption across all sectors, new model functionality, and perhaps most excitingly, the potential for significant agentic traffic. Agents will benefit from a maturing ecosystem and protocols that will facilitate their ability to execute increasingly complex tasks. Agentic adoption today is low, per the UBS survey around 5%, but given the ability to undertake useful work rather than simply augment existing human labour, and the ability to scale in a way untethered from human labour, it could see rapid adoption and associated growth in token consumption for these inference workloads.

Our current macroeconomic base case remains that despite challenges and political gyrations, on current evidence the economy will not be sufficiently bad to derail the AI story. The broad economic expansion should continue as "the consumer is resilient, spending is strong and delinquency rates are actually coming in below expectations" (JP Morgan Q3 2025 earnings call). Should labour market conditions deteriorate, the Fed stands ready to offer further policy easing. The impact of AI on the job market over both the short and medium-term remains a key variable, both for macro inputs and any regulatory impulses. Notably, per the UBS CIO survey, while 31% of respondents indicated AI might decrease headcount, just 1% were expecting to see a significant decrease, with a greater proportion (40%) calling for an increase in headcount as a result of AI. There was no material evidence of AI-driven headcount cuts seen across the respondents.

Concerns about an AI bubble are highly likely to persist, however, primarily as a function of the speed and gradient of AI progress. Such progress demands (and is receiving) substantial investment, but we do not believe we are in an AI bubble. We agree with Goldman Sachs' assessment that "the AI spending boom does not look particularly large when appropriately benchmarked against investment cycles associated with other general-purpose technologies". Valuations also appear reasonable (and certainly not bubble-like) with the S&P information technology sector trading at 26x forward earnings (1.2x the S&P 500) and NASDAQ at 25x, in line with its seven-year average. Investors are also highly sceptical about the return on AI investments and the durability of the AI trade, which is hard to reconcile with an irrational market bubble.

We continue to expect there to be further bouts of volatility in the year ahead, a function of periods of rapid technological change, especially with concerns in some quarters about an AI bubble. However, we believe the cross-sector AI investment opportunity and the potential for further divergence in returns between AI 'winners' and AI 'losers' is still vastly underestimated. With over 1,000 company meetings conducted during 2025, the strength in depth of our 11-strong investment team should stand us in good stead to navigate these exciting times.

Xuesong Zhao and the Technology Team

6 January 2026

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Risks

- **Capital is at risk and there is no guarantee the Fund will achieve its objective. Investors should make sure their attitude towards risk is aligned with the risk profile of the Fund before investing.**
- **Past performance is not a reliable guide to future performance. The value of investments may go down as well as up and you might get back less than you originally invested as there is no guarantee in place.**
- The value of a fund's assets may be affected by uncertainties such as international political developments, market sentiment, economic conditions, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Please see the Fund's Prospectus for details of all risks.
- The Fund invests in the shares of companies and share prices can rise or fall due to several factors affecting global stock markets.
- The Fund uses derivatives which carry the risk of reduced liquidity, substantial loss, and increased volatility in adverse market conditions, such as failure amongst market participants.
- The Fund invests in assets denominated in currencies other than the Fund's base currency. Changes in exchange rates may have a negative impact on the Fund's investments. If the share class currency is different from the currency of the country in which you reside, exchange rate fluctuations may affect your returns when converted into your local currency.

Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

Telephone	+(353) 1 434 5007
Fax	+(353) 1 542 2889
Dealing	Daily
Cut-off	15:00 Irish time

- The Fund invests in emerging markets where there is a greater risk of volatility due to political and economic uncertainties, restrictions on foreign investment, currency repatriation and currency fluctuations. Developing markets are typically less liquid which may result in large price movements to the Fund.

Important Information

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A decision may be taken at any time to terminate the marketing of the Fund in any EEA Member State in which it is currently marketed. Shareholders in the affected EEA Member State will be given notification of any decision and provided the opportunity to redeem their interests in the Fund, free of any charges or deductions, for at least 30 working days from the date of the notification.

Investment in the Fund is an investment in the shares of the Fund and not in the underlying investments of the Fund. Further information about fund characteristics and any associated risks can be found in the Fund's Key Information Document or Key Investor Information Document ("KID" or "KIID"), the Prospectus (and relevant Fund Supplement), the Articles of Association and the Annual and Semi-Annual Reports. Please refer to these documents before making any final investment decisions. These documents are available free of charge at Polar Capital Funds plc, Georges Court, 54-62 Townsend Street, Dublin 2, Ireland, via email by contacting Investor-Relations@polarcapitalfunds.com or at www.polarcapital.co.uk. The KID is available in the languages of all EEA member states in which the Fund is registered for sale; the Prospectus, Annual and Semi-Annual Reports and KIID are available in English.

The Fund promotes, among other characteristics, environmental or social characteristics and is classified as an Article 8 fund under the EU's Sustainable Finance Disclosure Regulation (SFDR). For more information, please see the Prospectus and relevant Fund Supplement.

ESG and sustainability characteristics are further detailed on the investment manager's website: https://www.polarcapital.co.uk/ESG-and-Sustainability/Responsible-Investing/.

A summary of investor rights associated with investment in the Fund can be found here. This document is provided and approved by both Polar Capital LLP and Polar Capital (Europe) SAS.

Polar Capital LLP is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, and the Securities and Exchange Commission ("SEC") in the United States. Polar Capital LLP's registered address is 16 Palace Street, London, SW1E 5JD, United Kingdom.

Polar Capital (Europe) SAS is authorised and regulated by the Autorité des marchés financiers (AMF) in France. Polar Capital (Europe) SAS's registered address is 18 Rue de Londres, Paris 75009, France.

Polar Capital LLP is a registered Investment Advisor with the SEC. Polar Capital LLP is the investment manager and promoter of Polar Capital Funds plc – an open-ended investment company with variable capital and with segregated liability between its sub-funds – incorporated in Ireland, authorised by the Central Bank of Ireland and recognised by the FCA. FundRock Management Company (Ireland) Limited acts as management company and is regulated by the Central Bank of Ireland. Registered Address: Percy Exchange, 8/34 Percy Place, Dublin 4, Ireland.

For UK Investors: The Fund is recognised in the UK under the Overseas Funds Regime (OFR) but it is not a UK-authorised Fund. UK investors should be aware that they may not be able to refer a complaint against its Management Company or its Depositary to the UK's Financial Ombudsman Service. Any claims for losses relating to the Management Company or the Depositary will not be covered by the Financial Services Compensation Scheme, in the event that either entity should become unable to meet its liabilities to investors. For information on the complaint process to the Management Company, please see the Country Supplement for this fund available at https://www.polarcapital.co.uk/

Benchmark The Fund is actively managed and uses the MSCI ACWI Net TR Index as a performance target and to calculate the performance fee. The benchmark has been chosen as it is generally considered to be representative of the investment universe in which the Fund invests. The performance of the Fund is likely to differ from the performance of the benchmark as the holdings, weightings and asset allocation will be different. Investors should carefully consider these differences when making comparisons. Further information about the benchmark can be found here. The benchmark is provided by an administrator on the European Securities and Markets Authority (ESMA) register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

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The Netherlands This factsheet is for professional client use only in the Netherlands and it is intended that the Fund will only be marketed to professional clients in the Netherlands. Polar Capital Funds plc is authorized to offer shares in the Polar Capital Funds plc - Artificial Intelligence Fund to investors in the Netherlands on a cross border basis and is

Important Information (contd.)

registered as such in the register kept by the Dutch Authority for the Financial Markets ("AFM") www.afm.nl.

Spain The Fund is registered in Spain with the Comisión Nacional del Mercado de Valores ("CNMV") under registration number 1180.

Switzerland The principal Fund documents (the Prospectus, Fund Supplement, KIDs, Memorandum and Articles of Association, Annual Report and Semi-Annual Report) of the Fund may be obtained free of charge from the Swiss Representative. The Fund is domiciled in Ireland. The Swiss representative is FundRock Switzerland SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève, 17 quai de I'Ile, 1204 Geneva, Switzerland.

Austria / Belgium / Denmark (professional only) / Finland / France / Germany / Gibraltar / Guernsey / Ireland / Italy / Jersey / Liechtenstein / Luxembourg / Netherlands / Norway / Portugal / Spain / Sweden / Switzerland and the United Kingdom The Fund is registered for sale to all investors in these countries.

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